

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

NOTICE OF CONTINENTAL TELEPHONE)	
COMPANY OF KENTUCKY OF AN)	CASE NO. 8659
ADJUSTMENT IN ITS RATES)	

O R D E R

IT IS ORDERED that Continental Telephone Company of Kentucky ("Continental") shall file an original and nine copies of the following information with the Commission by December 27, 1982. Each copy of the data requested should be placed in a bound volume with each item tabbed. Where a number of sheets are required for an item, each sheet should be appropriately indexed; for example, Item 1(a), Sheet 2 of 6. Careful attention should be given to copied material to insure that it is legible. Moreover, Continental shall furnish the name of the witness who will be responsible for responding to questions concerning each area of information outlined below.

Staff Request No. 1A

1. Provide a copy of the cost information listed below. Each cost study shall show the date on which it was completed. Also, each cost study shall be accompanied by a brief narrative description of method and results, as well

as supporting information necessary for analysis of individual cost components.

- A. The cost study used to price service charges.
- B. The cost study used to price standard rotary and touchtone telephones.
- C. The most recent customer calling services cost study.
- D. The most recent maintenance of service cost study.
- E. The most recent data coupler cost study.
- F. The most recent voice coupler cost study.
- G. The most recent recorder connector cost study.
- H. The most recent key coupler cost study.
- I. The most recent non-standard telephones cost study.
- 2. Provide information for all customer premises equip-

ment in service at the end of the test period as shown in Format No. 1.

3. Mr. Krehmeyer, in his direct testimony, stated that he has testified before numerous other Commissions. What, if any, action has any of these other jurisdictions taken with regard to Mr. Krehmeyer's area of expertise.

4. In responding to Item 22E of the Commission's initial staff request, Mr. Krehmeyer stated that no formal studies or analyses had been conducted to determine whether the centralized allocations were more or less costly to Kentucky ratepayers, but stated that it was Continental's philosophy that it was more economical. Could you elaborate

on the basis for this position in light of the fact that no studies or analyses have been performed.

5. Please provide a cost-benefit analysis of each of the services performed by service corporation as outlined in the Krehmeyer exhibits.

6. a. Are any of the services performed by the service corporation capable of being duplicated by the operations in Kentucky. If so, provide a detailed description of the services and the extent and frequency of the duplication. If an exact amount is unknown, provide an estimate.

b. Has Continental conducted any study(ies) to determine whether duplication is or could be occurring? If so, provide a copy of each study performed.

7. With regard to the balance of accumulated deferred income taxes, assuming that the deferred income tax balance of the company contains excess reserves due to changes in the corporate tax rate on January 1, 1979, how much lower would the balance be if Continental had accrued federal income taxes at the current rate of 46 percent during that period as opposed to the former rate of 48 percent.

8. The \$1,500,000 FFB series G bond listed in schedule 8, page 2 of Robert B. Morris' prefiled exhibit does not correspond to any of the FFB issues listed in item 30A, page 2 of the company's responses to the first staff request. Reconcile this difference.

9. Reconcile the differences between the effective cost rates of the A and B series of preferred stock listed

in schedule 8, page 2 of Robert B. Morris' prefiled exhibit and the dividend rates of the A and B series of preferred stock listed in item 31, schedule 2 of the company's responses to the first staff request.

10. a. Reconcile the difference between the annualized cost rate of preferred stock listed in item 31, schedule 2 of the company's responses to the first staff request and the embedded cost rate of preferred stock listed in schedule 8, page 1 of Robert B. Morris' prefiled exhibit.

b. Reconcile the difference between the annualized cost rate of preferred stock listed in item 31, schedule 2 of the company's responses to the first staff request and the embedded cost rate of preferred stock listed in schedule 8, page 1 of Robert B. Morris' prefiled exhibit.

11. a. What utilities are followed by WFB and therefore were included in WFB's composite of public utilities as referenced on schedule 3, page 4 of Robert B. Morris' prefiled exhibit?

b. Provide the beta coefficient for each of these utilities.

c. Provide all workpapers used in the calculation of the monthly expected total rates of return on public utilities common stock.

12. a. What measure of risk was used on schedule 1, page 2 of Robert B. Morris' prefiled exhibit?

b. How was this measure of risk calculated?

c. What data were used in the calculations?

13. Provide a summary of the results of the studies by Ibbotson and Sinquefield and Blume and Friend referenced on page 17, line 25 of Robert B. Morris' prefiled testimony.

14. Provide all workpapers used to calculate the long-term debt to common equity ratios for each company shown on schedule 2, page 1 of Robert B. Morris' prefiled exhibit.

15. Provide a list of the public utility clients for whom Robert B. Morris performed services while a senior financial consultant at Wells Fargo Bank as indicated in his testimony on page 2. The list shall include a description of the exact services performed and the date and docket number, if pertinent.

16. Provide all workpapers used in the formulation of the Security Market Line Analysis by Mr. Morris.

Done at Frankfort, Kentucky, this 3rd day of December, 1982.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:

Secretary

Customer Premises Equipment

Tariff
Section

Product
Description

Monthly
Rate

Units in
Service

Total Annual
Unit Cost

Total Annual
Unit Revenue

Percent
Contribution